

Minutes of the Board of Trustees

City Of Cincinnati

Retirement System

June 7, 2007

The Chairperson called the meeting to order at 2:00 p.m. with the following members present:

Marijane Klug, Chairperson
Joe Gray, Secretary
David Rager (proxy for City Manager Dohoney)
John Cranley, Council member
Donald Beets
Michael Fehn
Michael Rachford
V. Daniel Radford
Brian Pickering
Jason Barron (proxy for Mayor Mallory)

Member/s Absent

Margaret Allen, Civil Service Representative

Staff present: John Boudinot, CRS Executive Director, Keith Giles, Supervisor of Pension Plans, John Walsh, Investment Officer, Linda Johnson, Board Recorder, Roshani Hardin, Assistant City Solicitor

Ms. Klug called for a motion to approve the minutes of the May 3, 2007 Board Meeting. A motion was made to approve the minutes by Mr. Pickering, seconded by Mr. Rager and carried by the Board. Mr. Rachford made a motion to move the Board meeting to Council Chambers to accommodate the many retired members that were in attendance at the meeting. The motion was seconded by Mr. Pickering and passed by a vote of 7 to 3.

BENEFITS COMMITTEE

Mr. Pickering reported that the Benefits Committee met on Thursday May 31, 2007, and informed the Board that Paul T. Hogya, M.D., a disability consultant for the Retirement System, was also in attendance at the Benefits Committee meeting. Dr. Hogya was present to enlighten the Committee on the criteria used to evaluate disability candidates. Mr. Pickering presented the following report to the Board:

1. Application for Ordinary Retirement - June 2007 Total - 12

NO.	NAME	DEPARTMENT
36197	George Spahn	University of Cincinnati
40324	Gary Butterbaugh	Finance
43206	Ernestine Maley	University of Cincinnati
44142	Harriett Kimble	University of Cincinnati
44210	Lynne Robinson	University of Cincinnati
45314	Debbie Payne	Health
45347	Mark Volpenhein	University Hospital
45510	Woodrow Kennedy	Metropolitan Sewer District
46335	Victoria Hendrick	Police
46580	Brenda Johnson	Police
48832	Marjorie Angier	Police
50948	Cheryle Campbell	Public Services
59993	Ralph Renneker	Regional Computer Center

2. Application for Deferred Retirement - Total - 2

NO.	NAME	DEPARTMENT
63525	Linda Andrews	Health
49879	Howard Wilson	Parking Facilities

3. Application for Ordinary Disability Retirement: Total - 1

NO.	NAME	DEPARTMENT
48564	Febronia Gault	Health

4. Application for Ordinary Retired Deaths: Total - 15

Mr. Pickering moved that the Board accept the report of the Benefits Committee. The motion was made by Mr. Fehn, seconded by Mr. Rachford and carried by the Board.

SECRETARY'S REPORT

Mr. Gray reported that as of April 30, 2007, the asset level of the fund was \$2.70 billion, a year-to-date increase of 3.24%. The asset allocation of the investment portfolio as of April 30, 2007 was as follows:

Current Asset Allocation:	<u>Target</u>	<u>Actual</u>
• Domestic Equity:	43.5 %	53.0 %
• International Equity:	17.0 %	18.1 %
• Fixed Income:	17.0 %	27.3 %
• Private Equity:	5.0 %	0.7 %
• Real Estate:	7.5 %	0.0 %
• Infrastructure:	5.0 %	0.0 %
• Long/Short Equity:	5.0 %	0.0 %
• Treasury Cash:	<u>0.0 %</u>	<u>0.9 %</u>
	100.0 %	100.0%

Mr. Gray also submitted the following report:

1. Resolution for Enrollment of New Members – Total: 198
2. Resolution for Return of Contribution & Deaths of Pensioned Members
Total: 45 – Amount: \$188,975.32
3. Resolution for Loans to Members – Total: 59 Amount: \$642,715.37
4. Resolution for Deaths of Pensioned Members – Total: 20
5. Resolution of Military Service Credit Prior to Membership – Total: 2

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Marquette Associates – Investment Consulting Services	\$105,000.00
City of Cincinnati Printing Services – Charges for May 2007	\$3,559.58
Sheakley Vocational Services – Professional Services Rendered	\$464.30
City of Cincinnati Accounts & Audits - Cinsy Billing for April 2007	\$8,446.69
Lee Personnel Inc. – Temporary Personnel Services	\$656.76
Donald Beets – Reimb. for CAPPP Conference Expenses 5/22/07	\$1,670.00
John T. Walsh – Reimb. for Parking 5/31/07	\$8.50
ABS Business Products – Monthly Rental Billing for Copier	\$418.50
Lee Personnel Services – Temporary Personnel Services	\$682.02
John T. Dietz – Tuition Reimbursement	\$1,610.00
Business Information Solutions Inc. – Storage of CRS files	\$78.72
The Enquirer – CRS subscription	\$16.35
Lee Personnel Services – Temporary Personnel Services	\$669.39
The Kiplinger Letter – Subscription renewal for John Walsh	\$48.00
City of Cincinnati Printing Services – Charges for June 2007	\$10,797.62
Johnnie K. Boudinot – Reimb. for CRS supplies	\$13.25
Lee Personnel Services Inc. - Temporary Personnel Services	\$682.02
Ohio Attorney General of Ohio – Revenue Recovery Services	\$556.02

The Secretary reported that at the close of business May 31, 2007, there was in the Treasury to the credit of the Retirement System, the amount of \$15,593,800.08.

Mr. Rager moved that the board accept the Secretary's report. The motion was made by Mr. Radford, seconded by Mr. Gray and carried by the board.

INVESTMENT COMMITTEE

Mr. Rager reported that the Investment Committee met today immediately before the Board meeting to interview four real estate managers. The committee interviewed three value-added real estate managers (J.P. Morgan, Principal, and Prudential) as well as one international real estate manager (Mesirow/Courtland).

After the presentation by the real estate managers, the committee agreed to recommend that the Board invest \$22.5 million each to the open-end value-added funds managed by Prudential and Principal. The committee also agreed to recommend to the board a commitment of \$30 million to the Mesirow/Courtland international real estate fund-of-funds product.

Mr. Radford introduced the motion that the Board should invest \$22.5 million each in the value-added funds managed by Principal and Prudential. Mr. Gray seconded the motion, and the motion passed unanimously.

Mr. Gray then introduced the motion that the Board should commit \$30 million to the international real estate product managed by Mesirow/Courtland. Mr. Radford seconded the motion, and the motion passed unanimously.

ELECTION COMMITTEE

Mr. Beets reported that a draft of the new election rules was included in the board agenda packet. A few minor corrections were made to this draft version, which will then be forwarded to the Law Department for a final review.

Mr. Beets also reported that due to a printing error with the original ballots for electing the member representative, the election will be pushed back one week. The election will now conclude on June 12, and the ballot count will occur on July 15. Mr. Beets commented that an emergency board meeting may need to be held as the appointment of a new member is supposed to occur within 10 days of concluding the election process. Ms. Klug asked Ms. Hardin (Assistant City Solicitor) if the Law Department could provide a legal opinion on the requirement to swear in a new member within 10 days of the election.

NEW BUSINESS

Ms. Klug informed the group of retired CRS members that were present at the meeting, that it was the City Manager's decision to change the retirees Health Care to the 80/20 plan. Ms. Klug allowed the members of the audience to voice their comments on the Healthcare change. Audience members who spoke to the board were: Mr. Clarence Leatherwood, Mr. Joseph Bischoff, Mr. Robert Lonneman, Mr. William Vodegel, Mr. Elliott Ellis, Ms. Kay Boniface, and Mr. Neal Merten.

Approval of 2006 Actuarial Report

Mr. Gray indicated that the 2006 actuarial valuation report presented to the Board at the May meeting must be formally approved by the Board. After formal approval of the report, the Secretary will provide the Mayor, City Council, and the City Manager with the results of the actuarial valuation. Mr. Gray then submitted a motion for the Board to approve the 2006 actuarial valuation report prepared by Mercer Consulting, Mr. Rager seconded the motion, and the motion passed unanimously.

RFP for Actuarial Services

Mr. Boudinot asked if the RFP for actuarial services could be postponed until 2008 due to potential passage of the early retirement program (ERIP) and the implementation of the 80/20 healthcare plan. Mr. Beets stated that the Board requested an RFP for both investment consulting services and actuarial services about 18 months ago, and he believes that enough time had already been given for these projects.

Mr. Gray commented that the investment consultant RFP process was completed and the board has been busy implementing the many recommendations of the new investment consultant. Mr. Gray also commented that Mr. Boudinot has been very diligent with the CRS staff and that he would support the request to defer the RFP for actuarial services until 2008. Mr. Radford commented that the RFP document has been prepared by the CRS staff, so the RFP process could begin in early 2008. Mr. Radford indicated that he is willing to wait until then for distribution of the RFP. Mr. Pickering suggested that the RFP be delayed until 2008 only if the ERIP is passed by City Council. If the ERIP fails, then the CRS should proceed with the RFP.

After discussion, the committee agreed that the RFP for actuarial services could wait until 2008 as long as City Council approves the ERIP plan. If the ERIP plan is not passed, the RFP would be released in 2007.

Early Retirement Incentive Program

Mr. Rager asked Mr. Gray if he had any information on the estimated cost of the ERIP plan submitted to City Council by the City Manager. Mr. Gray said that the actuary has provided some cost estimates, but he did not have the information with him. Mr. Boudinot then commented that if all eligible members (about 325) accepted the incentive, the cost would be almost \$50 million, and the additional expense would be amortized over 15 years.

Mr. Boudinot reported that if City Council approves the ERIP plan, the CRS staff would hold two general information meetings in Council Chambers as well as individual counseling session for all CRS members eligible for the incentive.

Mr. Beets commented that the ERIP will put an additional strain on the financial health of the CRS. Mr. Beets commented that if investment returns are good, the City Manager could use the CRS funding to pay for the City's cost of providing the ERIP. Mr. Beet's introduced the following motion:

Any costs to the retirement system for the retirement incentive not be placed in the unfunded liability, and that no monies from the retirement system be used to pay off that portion of the unfunded liability for the retirement incentive.

Mr. Pickering seconded the motion, and the motion passed by a vote of 8 to 1.

ADJOURNMENT

Ms. Klug moved for a motion to adjourn. The motion was made by Mr. Rager, seconded by Mr. Beets and carried by the board. The meeting was adjourned at 3:12 p.m.